

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name DOVER HUDSON CLAYTON FIRE DEPT	County LENAWEE
Fiscal Year End MARCH 31, 2006	Opinion Date OCTOBER 24, 2006		Date Audit Report Submitted to State NOVEMBER 13, 2006		

We affirm that:

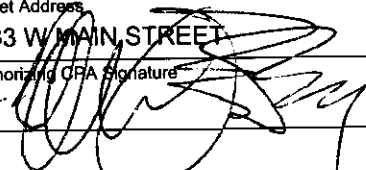
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R RUBLEY, CPA		Telephone Number 517-458-2274	
Street Address 133 W MAIN STREET		City MORENCI	State MI
Authorizing CPA Signature 		Printed Name PHILIP R RUBLEY	Zip 49256
		License Number 9223	

DOVER HUDSON CLAYTON FIRE DEPARTMENT

LENAWEE COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

MARCH 31, 2006

**DOVER HUDSON CLAYTON FIRE DEPARTMENT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2006**

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DOVER HUDSON CLAYTON FIRE DEPARTMENT
Management's Discussion and Analysis
March 31, 2006

Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Dover Hudson Clayton Fire Department government-wide basis. They are designed to present a longer-term view of the Fire Department's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Fire Department's operations in more detail than the government-wide financial statements.

Overview Of The Financial Statements

The Fire Department's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Fire Department's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Fire Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire Department is improving or deteriorating.

The Fire Department maintains 2 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be major fund.

The Fire Department adopts an annual appropriated budget for its general and firemen apparatus funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement, of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Fire Department that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Fire Department include public safety.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Management's Discussion and Analysis
March 31, 2006

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire Department can be divided into one category governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Other Information

The Fire Department has reported under required supplementation information, information about the General Fund and Firemen Apparatus Fund which are Major Type Funds.

The Fire Department As A Whole

The Fire Department's net assets for the year ended March 31, 2006 were less than the prior year, and management feels that even though the economic conditions have been slightly depressed, that the Fire Department will be able to maintain revenues close to costs in the future years, which is funded by the Village of Clayton, Hudson Township and Dover Township.

The governmental activities reflect net assets of \$403,763.

The Fire Department's net assets reflect its investment in capital assets (e.g. vehicles and equipment). The Fire Department uses these capital assets to provide services to citizens for future spending.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Management's Discussion and Analysis
March 31, 2006

**DOVER HUDSON CLAYTON
FIRE DEPARTMENT**

**Governmental
Activities**

2006

Revenue

General Revenue:

Governmental Contributions

Interest

Other

\$ 69,075

43

140

Total Revenue

69,258

Expenses

Public Safety

97,465

Total Expenses

97,465

Increase In Net Assets

(28,207)

Net Assets Beginning of Year

431,970

Net Assets End of Year

\$403,763

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Management's Discussion and Analysis
March 31, 2006

**DOVER HUDSON CLAYTON
FIRE DEPARTMENT**

**Governmental
Activities**

2006

Current and Other Assets	\$ 6,741
Capital Assets	<u>398,639</u>
Total Assets	<u>\$405,380</u>
 Other Liabilities	 \$ 1,617
Total Liabilities	<u>1,617</u>
 <u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	398,639
Unrestricted	<u>5,124</u>
Total Net Assets	<u>\$403,763</u>

Government Activities

Government activities (decreased) the Fire Department's net assets by (\$28,207).

The Fire Department's Funds

Our analysis of the Fire Department's funds begins on Page 8, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Fire Department as a whole. The Board and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Management's Discussion and Analysis
March 31, 2006

General Fund Budgetary Highlights

There are no differences between the original budget and amended budget.

Economic Factors And Next Year's Budget And Rates

The Fire Department's budget for 2006-2007 fiscal year has taken inconsideration, the economic condition of the State of Michigan. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

Contacting The Fire Department's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Fire Department's finances and to show the Fire Department's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Fire Department in Clayton, Michigan.

PHILIP R. RUBLEY

– *Certified Public Accountant* –

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

October 24, 2006

**Dover Hudson Clayton Fire Department
3444 State St.
Clayton, MI 49235**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover Hudson Clayton Fire Department as of and for the year ended March 31, 2006, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dover Hudson Clayton Fire Department management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover Hudson Clayton Fire Department as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 5, the Fire Department's has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as of April 1, 2004.


The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dover Hudson Clayton Fire Department basic financial statements.

Dover Hudson Clayton Fire Department
October 24, 2006

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dover Hudson Clayton Fire Department basic financial statements.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Government-wide Statement of Net Assets
March 31, 2006

	Governmental Activities
<u>Assets</u>	
Cash and Equivalents	\$ 6,509
Prepaid Items	232
Capital Assets Being Depreciated - Net	<u>398,639</u>
Total Assets	<u><u>\$405,380</u></u>
<u>Liabilities</u>	
Accounts Payable and Accrued Expenses	<u>\$ 1,617</u>
Total Liabilities	<u>1,617</u>
<u>Net Assets</u>	
Invested In Capital Assets	398,639
Unrestricted	<u>5,124</u>
Total Net Assets	<u><u>\$403,763</u></u>

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Government-wide Statement of Activities
For The Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<u>Governmental Activities:</u>					
Public Safety	\$97,465	\$ ---	\$69,075	\$ ---	\$ (28,390)
Total Governmental Activities	<u>\$97,465</u>	<u>\$ ---</u>	<u>\$69,075</u>	<u>\$ ---</u>	<u>\$ (28,390)</u>
<u>Changes In Net Assets</u>					
General Revenues:					
Unrestricted					
Investment Earnings					43
Other					<u>140</u>
Total General Revenues					<u>183</u>
Change In Net Assets (Decrease)					(28,207)
Net Assets, Beginning of Year					<u>431,970</u>
Net Assets, End of Year					<u>\$403,763</u>

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Governmental Funds
Balance Sheet
March 31, 2006

	<u>General Fund</u>	<u>Firemen Apparatus Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and Cash			
Equivalents	\$ 210	\$6,299	\$6,509
Prepaid Expenses	<u>232</u>	<u>---</u>	<u>232</u>
Total Assets	<u>\$ 442</u>	<u>\$6,299</u>	<u>\$6,741</u>
<u>LIABILITIES</u>			
Accounts Payable	<u>\$ 1,617</u>	\$ ---	\$1,617
Total Liabilities	<u>1,617</u>	<u>---</u>	<u>1,617</u>
<u>FUND BALANCES</u>			
Unreserved (Deficit)	<u>(1,175)</u>	<u>6,299</u>	<u>5,124</u>
Total Fund Balances	<u>(1,175)</u>	<u>6,999</u>	<u>5,124</u>
Total Liabilities and Fund Balances	<u>\$ 442</u>	<u>\$6,299</u>	<u>\$6,741</u>

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
March 31, 2006

Fund Balances – Total Governmental Funds	\$ 5,124
-------------------------------------------------	----------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add:	Capital Assets	555,900
Deduct:	Accumulated Depreciation	<u>(157,261)</u>

Net Assets of Governmental Activities	<u>\$403,763</u>
----------------------------------------------	------------------

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Governmental Funds
Statement of Revenue, Expenditures, and Changes In Fund Balances
For The Year Ended March 31, 2006

	<u>General Fund</u>	<u>Firemen Apparatus Fund</u>	<u>Totals</u>
<u>REVENUES</u>			
Intergovernmental Contributions	\$65,575	\$3,500	\$69,075
Interest	43	---	43
Other	<u>140</u>	<u>---</u>	<u>140</u>
Total Revenue	<u>65,758</u>	<u>3,500</u>	<u>69,258</u>
<u>EXPENDITURES</u>			
Current:			
Public Safety	<u>68,059</u>	<u>3,221</u>	<u>71,280</u>
Total Expenditures	<u>68,059</u>	<u>3,221</u>	<u>71,280</u>
Net Change In Fund Balances	(2,301)	279	(2,022)
Fund Balances – Beginning of Year	<u>1,126</u>	<u>6,020</u>	<u>7,146</u>
Fund Balances – End of Year (Deficit)	<u><u>\$ (1,175)</u></u>	<u><u>\$6,299</u></u>	<u><u>\$ 5,124</u></u>

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
March 31, 2006

Net Change In Fund Balances – Total Governmental Funds \$ (2,022)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Deduct: Depreciation Expense (26,185)

Change In Net Assets Of Governmental Activities \$ (28,207)

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Dover Hudson Clayton Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

Dover Hudson Clayton Fire Department is governed by an elected board by the fire fighters. The accompanying financial statements present the fire department of which the Village of Clayton, Dover Township and Hudson Township are financially accountable for.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2006

Intergovernmental revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major governmental fund:

The Firemen Apparatus Fund which accounts for special activities of the government's fire department.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments if applicable are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2006

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."
3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.
4. **Capital Assets** – Capital assets, which include equipment, and vehicle assets, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Equipment and vehicles of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery, Equipment, And Furnishings	5 - 35
Vehicles	5 - 15

5. **Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2006

On or before the end of March of each year, the Fire Department Board proposes a budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Board.

- B. Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2006, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety	\$65,575	\$71,280	\$5,705

NOTE 3 – DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Fire Department are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Fire Department or its agent in the Fire Department's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Fire Department's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Fire Department's name.

	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Checking, Savings and Certificate of Deposits	\$6,509	\$ ---	\$ ---	\$6,509	\$6,509
	<u>\$6,509</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$6,509</u>	<u>\$6,509</u>

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2006

Balance Sheet Cash And Cash Investments

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Fire Department's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC) (FSLIC)	\$6,509
Uninsured:	
Uncollateralized	<u>---</u>
Total	<u>\$6,509</u>

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Decreases</u>	<u>Balance</u>
<u>Governmental Activities</u>				
Capital Assets,				
Being Depreciated:				
Vehicles	\$ 456,000	\$ ---	\$ ---	\$ 456,000
Equipment	<u>99,900</u>	<u>---</u>	<u>---</u>	<u>99,900</u>
Total Capital Assets Being Depreciated	<u>555,900</u>	<u>---</u>	<u>---</u>	<u>555,900</u>
Less Accumulated				
Depreciation For:				
Vehicles	(81,800)	(19,760)	---	101,560
Equipment	<u>(49,276)</u>	<u>(6,425)</u>	<u>---</u>	<u>55,701</u>
Total Accumulated Depreciation	<u>(131,076)</u>	<u>(26,185)</u>	<u>---</u>	<u>(157,261)</u>
Total Capital Assets, Being Depreciated, Net	<u>424,824</u>	<u>(26,185)</u>	<u>---</u>	<u>398,639</u>
Governmental Activities Capital Assets, Net	<u>\$ 424,824</u>	<u>\$ (26,185)</u>	<u>\$ ---</u>	<u>\$ 398,639</u>

Depreciation expense was charged to functions/programs of the Fire Department as follows:

<u>Governmental Activities:</u>	
General Government	<u>\$26,185</u>
Total Depreciation Expense	
Governmental Activities	<u>\$26,185</u>

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2006

NOTE 5 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 6 – ACCOUNTING CHANGE

Effective April 1, 2004, the Dover Hudson Clayton Fire Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34), along with all related statements and interpretations. Changes to the Fire Department's financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis of the Fire Department's overall financial position and results of operations has been included.
- Fire Department-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Fire Department's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets totaling \$398,639.

The fund financial statements focus on major funds rather than fund types.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$ 1,126	\$ 1,126	\$ 1,126	\$ ---
Intergovernmental				
Contributions	65,575	65,575	65,575	---
Interest	---	---	43	43
Other	---	---	140	140
Amounts Available for Appropriation	<u>66,701</u>	<u>66,701</u>	<u>66,884</u>	<u>183</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Safety – Fire				
Wages	20,105	20,105	20,105	---
Payroll Taxes	845	845	1,538	(693)
Insurance	16,625	16,625	15,495	1,130
Utilities	6,000	6,000	8,696	(2,696)
Fuel & Oil	4,500	4,500	4,081	419
Supplies	8,500	8,500	9,102	(602)
Maintenance	4,000	4,000	3,856	144
Banquet	1,200	1,200	1,200	---
Training	3,000	3,000	3,248	(248)
Miscellaneous	800	800	738	62
Total Charges to Appropriations	<u>65,575</u>	<u>65,575</u>	<u>68,059</u>	<u>(2,484)</u>
Ending of Year Fund Balance (Deficit)	<u>\$ 1,126</u>	<u>\$ 1,126</u>	<u>\$ (1,175)</u>	<u>\$ (2,301)</u>

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Budgetary Comparison Schedule
Firemen Apparatus Fund
For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$6,020	\$6,020	\$6,020	\$ ---
Intergovernmental Contributions	<u>---</u>	<u>---</u>	<u>3,500</u>	<u>3,500</u>
Amounts Available for Appropriation	<u>6,020</u>	<u>6,020</u>	<u>9,520</u>	<u>3,500</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Safety – Fire				
Maintenance	<u>---</u>	<u>---</u>	<u>2,621</u>	<u>(2,621)</u>
Training	<u>---</u>	<u>---</u>	<u>600</u>	<u>(600)</u>
Total Charges to Appropriations	<u>---</u>	<u>---</u>	<u>3,221</u>	<u>(3,221)</u>
Ending of Year Fund Balance	<u>\$6,020</u>	<u>\$6,020</u>	<u>\$6,299</u>	<u>\$ 279</u>

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

October 24, 2006

**Firemen Board
Dover Hudson Clayton Fire Department
3444 State St.
Clayton, MI 49235**

We have examined the combined financial statements of the Dover Hudson Clayton Fire Department and the combining, individual fund and account group financial statements of the Fire Department as of and for the year ended March 31, 2006 and have issued our report thereon dated October 24, 2006. As a part of our examination, we made a study and evaluation of the Fire Department's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Fire Department's system of internal accounting control for the year ended March 31, 2006, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

1. CAPITAL ASSETS

It is imperative that you maintain your capital assets that exceed \$1,000.00, your threshold. Any assets disposed of or purchased, traded, etc. must be kept for proper updating to the capital assets system. This applies also to your un-audited periods.

2. **BUDGET**

Any adjustments to your budget should be adjusted to your budget schedule, also keeping your first budget intact, so proper comparison can be made to original budget and amended.

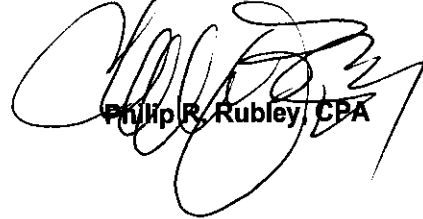
3. **DEFICIT FUND EQUITY**

Presently the general operation fund has a negative balance on the fund statement. Correction action needed to turn this item into a positive position.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated October 24, 2006, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,



Philip R. Rubley, CPA